



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ROBERT A. DAVIS
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September 22, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **SOUTH BAY WORKFORCE INVESTMENT BOARD CONTRACT
REVIEW – A DEPARTMENT OF PUBLIC SOCIAL SERVICES
AMERICAN RECOVERY AND REINVESTMENT ACT/GREATER
AVENUES FOR INDEPENDENCE VOCATIONAL INTERMEDIARY AND
DIRECT SERVICES PROGRAM PROVIDER**

At the request of the Department of Public Social Services (DPSS), we completed a program, fiscal and administrative contract review of the South Bay Workforce Investment Board (SBWIB or Agency), a DPSS American Recovery and Reinvestment Act/Greater Avenues for Independence Vocational Intermediary and Direct Services (ARRA/GAIN VIDS) Program provider.

DPSS contracts with SBWIB, a department of the City of Hawthorne, to administer and provide intermediary services for the ARRA/GAIN VIDS Program. Program services include providing participants with paid work experience, on-the-job training and classroom training in an effort to secure participants with unsubsidized employment. SBWIB subcontracts with 39 public and private non-profit agencies to provide the services. The Agency provided services to residents of all Supervisorial Districts during Fiscal Year (FY) 2009-10. As of May 2010, DPSS paid SBWIB approximately \$60.2 million during FY 2009-10.

Results of Review

The program participants met the eligibility requirements for the ARRA/GAIN VIDS Program and SBWIB's staff possessed the required qualifications. In addition, the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency maintained documentation to support the program expenditures. However, SBWIB did not always comply with the other contract requirements. For example, SBWIB did not:

- Provide documentation to support their monthly performance outcomes.

SBWIB response – SBWIB indicated they will instruct their staff to maintain the supporting documentation.

- Reconcile their bank account monthly and did not resolve 158 checks, totaling \$43,871, that were outstanding for more than six months.

SBWIB response – SBWIB indicated they have reconciled the account and resolved the outstanding checks.

- Properly allocate \$10,260 in rent costs from July through September 2009 and used an inappropriate rate to allocate indirect costs.

SBWIB response – SBWIB indicated they corrected the rent allocation and will provide DPSS with documentation that their actual indirect costs exceeded the amount billed.

In addition, DPSS reported that there were a total of 6,122 participants employed but DPSS did not maintain documentation to support the total number of participants employed. Also, DPSS incorrectly reported that the Program created 3,433 jobs although the documentation the Department provided indicated that 4,528 jobs were created. DPSS' attached response indicates they now maintain the necessary supporting documentation and ensure the ARRA reports are accurate.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SBWIB and DPSS on June 8, 2010. SBWIB's response (Attachment I) and DPSS' response (Attachment II) indicate agreement with our findings and recommendations. DPSS indicated that they will work with SBWIB to ensure that the recommendations are implemented.

We thank SBWIB management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachments

- c: William T Fujioka, Chief Executive Officer
- Philip L. Browning, Director, Department of Public Social Services
- Wayne Spencer, Board Chairperson, SBWIB
- Jan Vogel, Executive Director, SBWIB
- Public Information Office
- Audit Committee

**ARRA/GAIN VOCATIONAL INTERMEDIARY AND DIRECT SERVICES PROGRAM
SOUTH BAY WORKFORCE INVESTMENT BOARD
FISCAL YEAR 2009-10**

BACKGROUND

The Department of Public Social Services (DPSS) contracts with the South Bay Workforce Investment Board (SBWIB or Agency), a department of the City of Hawthorne, to administer and provide intermediary services for the American Recovery and Reinvestment Act/Greater Avenues for Independence Vocational Intermediary and Direct Services (ARRA/GAIN VIDS) Program. Program services include providing participants with paid work experience, on-the-job training and classroom training in an effort to secure participants with unsubsidized employment. SBWIB subcontracts with 39 public and private non-profit agencies to provide the services. The Agency provided services to residents of all Supervisorial Districts during Fiscal Year (FY) 2009-10.

DPSS compensates SBWIB by reimbursing the Agency for their administrative costs and the cost of participants' wages during their paid work experience. DPSS also pays SBWIB \$1,600 per new participant enrollment, which the Agency pays to their subcontractors for providing the Program services. As of May 2010, DPSS paid SBWIB approximately \$60.2 million during FY 2009-10.

PURPOSE/METHODOLOGY

The purpose of our review was to determine whether SBWIB and six (15%) of their 39 subcontractors complied with the contract terms and appropriately accounted for and spent ARRA/GAIN VIDS funds in providing the services outlined in their County contract. In addition, we determined whether DPSS complied with ARRA reporting guidelines. We interviewed a number of Agency and subcontractor staff and clients and evaluated the adequacy of the Agency's and subcontractors' accounting records, internal controls, and compliance with federal, State and County guidelines. We also reviewed DPSS' ARRA reports and the supporting documentation.

ELIGIBILITY

Objective

Determine whether SBWIB provided services to individuals that met the eligibility requirements for the Transitional Subsidized Employment (TSE) and Work Study (WS) components of the ARRA/GAIN VIDS Program.

Verification

We visited five TSE subcontractors and one WS subcontractor to review the case files for 22 (7%) of the 313 TSE participants newly enrolled in August 2009 and five (2%) of the 202 WS participants that received services during August 2009.

Results

All 27 program participants met the eligibility requirements for ARRA/GAIN VIDS Program services.

Recommendation

None.

PROGRAM SERVICES**Objective**

Determine whether SBWIB provided the services in accordance with the County contract and ARRA/GAIN VIDS Program guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 27 program participants that received services during August 2009.

Results

Overall, SBWIB provided the services in accordance with the County contract. However, the SBWIB subcontractors did not refer two (7%) of the 27 participants reviewed to a worksite within five days as required by the contract. The two participants were referred three and 15 days late, respectively.

Recommendation

1. SBWIB management ensure subcontractors refer participants to worksites timely.

STAFFING QUALIFICATIONS**Objective**

Determine whether SBWIB staff and subcontractor staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for seven SBWIB employees and 17 subcontractor employees.

Results

SBWIB staff and subcontractor staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether SBWIB met the planned performance outcomes as outlined in the County contract and reports the performance outcomes to DPSS. The performance outcomes included maintaining a 70% participant completion rate, a 70% placement rate, and a 90% participant satisfaction rate. In addition, 50% of participants placed into employment must retain employment for at least 90 days.

Verification

The participant completion, placement and employment retention rates are measured semi-annually and a report from the Agency for FY 2009-10 was not yet due at the time of our review. However, we interviewed 11 participants to determine the participant satisfaction rate. In addition, we reviewed SBWIB's Monthly Management Report, which indicates the status of the Agency's performance measures.

Results

SBWIB met the 90% participant satisfaction rate. However, the Agency did not maintain documentation to support their Monthly Management Reports. As a result, we could not verify the accuracy of the performance outcome data reported by SBWIB.

Recommendation

- 2. SBWIB management maintain documentation to support their Monthly Management Reports.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in SBWIB's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed SBWIB personnel and reviewed financial records including the Agency's July 2009 bank reconciliation.

Results

SBWIB properly recorded program revenue. However, at the time of our review, the Agency had not reconciled their bank account for two months and did not resolve outstanding checks timely. SBWIB's July 2009 bank reconciliation identified 158 checks, totaling \$43,871, that were outstanding for six months.

Recommendations**SBWIB management:**

- 3. Prepare bank account reconciliations within 30 days of the bank statement date.**
- 4. Resolve outstanding checks timely.**

COST ALLOCATION PLAN**Objective**

Determine whether SBWIB's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs.

Verification

The County contract has separate budgets for SBWIB's administration and intermediary service costs, TSE service costs and WS service costs, requiring the Agency to properly allocate costs between the three budgets.

We reviewed the Cost Allocation Plan and a sample of expenditures SBWIB incurred from July through September 2009.

Results

SBWIB's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency needs to improve their cost allocation procedures. Specifically, SBWIB:

- Inappropriately used the budgeted rate to allocate indirect costs (i.e., administrative staff, utilities, rent, etc.) totaling \$51,159 to the ARRA/GAIN VIDS Program for July through September 2009 rather than developing and using an allocation rate based

on actual conditions (e.g., total direct costs) as required. SBWIB also used this method during FY 2008-09 to allocate indirect costs totaling \$177,207 to the Program.

Subsequent to our review, SBWIB indicated that they under billed DPSS because their actual indirect costs exceeded the amount they billed DPSS.

- Improperly allocated \$10,260 in rent costs from July through September 2009 to the administration and intermediary budget rather than allocating the costs between all three budgets.

Recommendations

SBWIB management:

5. **Reallocate the \$228,366 (\$51,159 + \$177,207) in indirect costs using an appropriate method and repay any over billed amount or provide documentation of the actual indirect costs.**
6. **Properly allocate rent costs between the three ARRA/GAIN VIDS Program budgets.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed SBWIB personnel and reviewed financial records and other documentation for 16 non-payroll expenditures totaling \$52,309 that the Agency charged from July through September 2009.

Results

Generally SBWIB maintained documentation to support program expenditures. However, SBWIB overbilled DPSS \$2,894 for participant liability insurance due to a calculation error. Subsequent to our review, SBWIB repaid DPSS \$1,172.

Recommendation

7. **SBWIB management repay DPSS \$1,722 (\$2,894 - \$1,172).**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether SBWIB maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed SBWIB personnel, reviewed their policies and procedures manuals and conducted on-site visits.

Results

SBWIB maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SBWIB's fixed assets and equipment purchased with ARRA/GAIN VIDS funds were used for the ARRA/GAIN VIDS Program and were safeguarded.

Verification

We interviewed SBWIB staff and reviewed the Agency's fixed assets and equipment inventory list. In addition, we performed a physical inventory for five (9%) of the Agency's 56 fixed asset and equipment items and reviewed the \$6,553 of equipment the Agency charged to the ARRA/GAIN VIDS Program in FY 2009-10.

Results

SBWIB needs to improve their fixed assets and equipment tracking procedures. Specifically, 11 items on the Agency's fixed assets and equipment list did not have a serial number or unique identifier to ensure each item is properly tracked.

Recommendation

8. SBWIB management ensure all fixed assets and equipment have a serial number or unique identifier.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the ARRA/GAIN VIDS Program. In addition, determine whether SBWIB obtained criminal background clearances and verified employment eligibility for the employees assigned to the Program.

Verification

We traced the payroll expenditures for seven employees totaling \$17,598 for August 2009 to the Agency's payroll records and time reports. We also interviewed SBWIB and subcontractor staff. In addition, we reviewed personnel files for seven Agency staff and 17 subcontractor staff assigned to the ARRA/GAIN VIDS Program.

Results

SBWIB properly charged payroll expenditures to the ARRA/GAIN VIDS Program and obtained background clearances for program and subcontractor staff.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether SBWIB's FY 2008-09 invoices reconciled to the Agency's financial accounting records.

Verification

We reviewed the Agency's final FY 2008-09 reconciliation for their administration and intermediary service costs and reviewed SBWIB's FY 2008-09 TSE and WS invoices.

Results

SBWIB's invoices generally reconciled to their financial accounting records. However, the Agency overbilled DPSS \$965 for utilities and telephone costs due to errors they made when calculating their costs on the final reconciliation.

Recommendations

SBWIB management:

9. Repay DPSS \$965.

10. Ensure reconciliations are supported by the Agency's financial accounting records.

DPSS ARRA REPORTING**Objective**

DPSS is required to provide a quarterly report to the State on the use of the ARRA funds. We determined whether DPSS accurately reported expenditure and participant enrollment, job creation, and employment information according to federal ARRA reporting guidelines.

Verification

We compared the reported expenditure and participant information with eCAPS (the County's accounting system) expenditure reports and DPSS' participant tracking system data files.

Results

DPSS reported a total of \$35.5 million in ARRA expenditures to the State for the quarter ending on March 31, 2010 in accordance with the ARRA reporting requirements. We confirmed that the total expenditures agreed with eCAPS. However, DPSS:

- Reported that there were 6,122 total participants employed but could not provide documentation to support the amount reported because they did not maintain the system data files used to compile the information reported.
- Incorrectly reported that the Program created 3,433 jobs when the documentation DPSS provided indicated that 4,528 jobs were created.

Recommendation

11. DPSS management ensure the information reported during the ARRA reporting process is accurate and maintain documentation to support the information.



www.sbwib.org

SOUTH BAY WORKFORCE INVESTMENT BOARD

SBWIB

June 28, 2010

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CHAIRPERSON

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WANZA TOLLIVER
TRACIE WEATHERS
LLOYD WILKEY
SUSIE YELLOWHORSE-JENSEN
JOE LYNN YOUNG

JAN VOGEL
EXECUTIVE DIRECTOR

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

RE: South Bay Workforce Investment Board Contract Review FY 2008/2009 –
American Recovery and Reinvestment Act/GAIN VIDS Program Provider

Dear Ms. Watanabe:

The following is the City of Hawthorne/South Bay Workforce Investment Board (SBWIB) response to your draft report dated June 15, 2010, regarding the status of fiscal and program findings resulting from the most recent monitoring review conducted by your staff.

We have included your report as it relates to the findings in order to facilitate a thorough review of our response.

Auditor-Controller Result

Overall, SBWIB provided the services in accordance with the County contract. However, the SBWIB subcontractors did not refer two (7%) of the 27 participants reviewed to a worksite within five days as required by the contract. The two participants were referred three and 15 days late, respectively.

Recommendation

1. SBWIB management ensure subcontractors refer participants to worksites timely.

SBWIB Response:

The SBWIB strives to adhere to this contractual requirement whenever possible, and considering that twenty-five out of twenty-seven participants were referred to a worksite within the five-day rule is quite impressive. The five-day referral requirement is generally not met due to Live Scan results not being returned within the time period specified, as a result of participants missing their scheduled appointment date and also as a desire by most worksites wanting to interview the participants prior to placement.

The SBWIB is currently negotiating a realistic goal with the Los Angeles County DPSS Contract Management Division and GAIN Program Division. In the meantime, we will make every effort possible to ensure that the referral requirement in the contract with the County is adhered to.

Auditor-Controller Result

SBWIB met the 90% participant satisfaction rate. However, the Agency does not maintain documentation to support their Monthly Management Reports. As a result, we could not verify the accuracy of the performance outcome data.

Recommendation

2. SBWIB management maintain documentation to support their Monthly Management Reports.

SBWIB Response:

The SBWIB generally saves all documentation supporting our Monthly management Reports. Unfortunately, during the preparation of the August 2009 and September 2009 Monthly Management Report, the on-line data was not saved. From this point forward, we will instruct our employees working on portions of the Monthly Management Report to save any and all data used on their computers, as well as maintaining hard copies for support.

Auditor-Controller Results

SBWIB properly recorded revenue. However, at the time of our review, the Agency had not reconciled their bank account for two months and did not resolve outstanding checks timely. SBWIB's July 2009 bank reconciliation identified 158 checks, totaling \$43,871, that were outstanding for six months.

Recommendations

SBWIB management:

3. Prepare bank account reconciliations within 30 days of the bank statement date.
4. Resolve outstanding checks timely.

SBWIB Response:

The City of Hawthorne Finance Department (City) has sole responsibility for reconciling the various bank account(s) maintained by the City. The bank account(s) were not reconciled during the period that the review was conducted by the County of Los Angeles Auditor-Controller office as a result of key personnel no longer employed by the City. Subsequent to the issuing of this report, the City has brought in new personnel to reconcile the various bank accounts, and is presently up-to-date on all bank reconciliation.

It is the policy of the City to void all checks listed as outstanding for a period of six months or greater. As a result of the City's bank account(s) having been reconciled up-to-date, all outstanding checks greater than six months have been removed from the outstanding checklist.

Auditor-Controller Results

SBWIB's Cost Allocation Plan was prepared in compliance with the County contract. However, the agency needs to improve their cost allocation procedures. Specifically, SBWIB:

- Inappropriately used the budgeted rate to allocate indirect costs (i.e., administrative staff, utilities, rent, etc.) totaling \$51,159 to the ARRA/GAIN VIDS Program for July through September 2009 rather than developing and using an allocation rate based on actual conditions e.g., total direct costs) as required. SBWIB also used this method during FY 2008-09 to allocate indirect costs totaling \$177,207 to the Program.
- Improperly allocated \$10,260 in rent costs from July through September 2009 to the administration and intermediary budget rather than allocating the costs between all three budgets.

Subsequent to our review, SBWIB indicated that using the budgeted rate to allocate indirect costs actually resulted in under billing DPSS because the Agency's actual indirect costs exceeded the budgeted amount.

Recommendations

SBWIB management:

5. Reallocate the \$228,366 (\$51,159 + \$177,207) in indirect costs using an appropriate method and repay any over billed amount or provide documentation of the actual indirect costs.
6. Properly allocate rent costs between the three ARRA/GAIN VIDS Program budgets.

SBWIB Response:

Indirect costs totaling \$51,159 charged to the ARRA/GAIN VIDS programs for the period of July 2009 through September 2009, was based on the budgeted indirect cost rate of 17.5%, which will be adjusted to reflect actual indirect costs charged to these programs on the June 30, 2010 Final Reconciliation, to be submitted to the County.

The \$177,207 of indirect costs charged to the ARRA/GAIN VIDS programs, were in fact based on actual costs incurred by the SBWIB, which totaled \$119,336 and actual costs incurred and charged by the City totaling \$83,000. The SBWIB will provide the County DPSS documentation to support our costs of \$119,336, as well as documentation for the costs of \$83,000 incurred by the City. In reviewing the City's supporting documentation, it should be noted that actual costs of \$279,316 incurred for City services provided, greatly exceeds the amount of \$83,000 that was charged to the programs. We are limited by contract to charging an amount that is 17.5% of salaries or the actual amount incurred, depending on whichever is less. The amount of costs incurred by the City cannot be recovered completely under this contract.

The improper allocation of rent totaling \$10,260 for the period of July 2009 through September 2009 has been corrected on our worksheets, with the corresponding correction reported to the County on the March 2010 Reconciliation Report.

Auditor-Controller Result

SBWIB overbilled DPSS \$2,894 for participant liability insurance due to a calculation error. Subsequent to our review, SBWIB repaid DPSS \$1,172.

Recommendation

7. SBWIB management repay DPSS \$1,722 (\$2,894 - \$1,172).

SBWIB Response:

The SBWIB already adjusted for \$550 in the December, 2009, Work-Study invoice, and will make the appropriate adjustment for the amount over billed in-lieu of repayment, when submitting the June 2010 TSE final reconciliation.

Auditor-Controller Result

SBWIB needs to improve their fixed assets and equipment tracking procedures. Specifically, 11 items on the Agency's fixed assets and equipment list did not have a serial number or unique identifier to ensure each item is properly tracked.

Recommendation

8. SBWIB management ensure all fixed assets and equipment have a serial number or unique identifier.

SBWIB Response:

We have revised the original inventory list given to the Auditor-controller upon receiving their exit conference report. The updated inventory listing identified two additional computers purchased with GAIN funds, and we submit that all fixed assets and equipment are properly tagged and identified in our inventory. We are enclosing the updated list for your review.

Auditor-Controller Results

SBWIB's invoices generally reconciled to their financial accounting records. However, the Agency overbilled DPSS \$965 for utilities and telephone costs due to errors they made when calculating their costs on the final reconciliation.

Recommendations

SBWIB management:

9. Repay DPSS \$965.

10. Ensure reconciliations are supported by the Agency's financial accounting records.

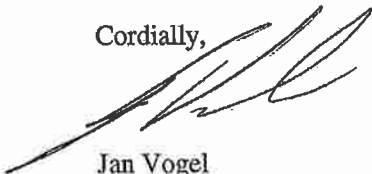
SBWIB Response:

The SBWIB will make the appropriate adjustment when submitting the June 2010 final reconciliation in lieu of submitting payment to the County.

Going forward, we will double-check all calculations appearing on our worksheets in an effort to identify and correct any miscalculations therein, prior to submitting reports to the County.

Please feel free to contact Tudorita Giulea or Tracey Atkins at (310) 970-7700, if additional information is required or you can contact me if desired at the same number.

Cordially,

A handwritten signature in black ink, appearing to read 'Jan Vogel', is written over the word 'Cordially,'.

Jan Vogel
Executive Director

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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Director

SHERYL L. SPILLER
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Fifth District

July 22, 2010

TO: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in dark ink, appearing to be "PLB", written over the printed name of Philip L. Browning.

FROM: Philip L. Browning, Director

SUBJECT: RESPONSE TO THE AUDITOR-CONTROLLER'S DRAFT FISCAL YEAR 2009-10 CONTRACT REVIEW OF SOUTH BAY WORKFORCE INVESTMENT BOARD – A DEPARTMENT OF PUBLIC SOCIAL SERVICES AMERICAN RECOVERY AND REINVESTMENT ACT/GAIN VOCATIONAL INTERMEDIARY AND DIRECT SERVICES PROGRAM PROVIDER

Attached is the Department of Public Social Services' (DPSS') response to the draft audit report for the Fiscal Year 2009-10 contract review of the City of Hawthorne South Bay Workforce Investment Board (SBWIB). The Department agrees with the eleven findings and recommendations that have been identified in the draft report and is committed to working with SBWIB to implement all recommendations pertaining to that agency. Additionally, DPSS has made modifications to the manner in which we maintain American Recovery and Reinvestment Act related data to ensure our numbers match those reported to the CEO for program enrollees, placements and full-time equivalents as required.

Please let me know if you have any questions, or your staff may contact Sheri Lewis, Division Chief, Research, Evaluation and Quality Assurance Division, at (562) 908-5879.

PLB:gh

Attachment

**AUDITOR-CONTROLLER'S FY 2009-10 CONTRACT REVIEW
SOUTH BAY WORKFORCE INVESTMENT BOARD
AMERICAN RECOVERY AND REINVESTMENT ACT/GAIN VOCATIONAL
INTERMEDIARY AND DIRECT SERVICES PROGRAM**

DPSS RESPONSE TO FINDINGS AND RECOMMENDATIONS

PROGRAM SERVICES

FINDINGS:

Overall, South Bay Workforce Investment Board (SBWIB) provided the services in accordance with the County contract. However, the SBWIB subcontractors did not refer two (7%) of the 27 participants reviewed to a worksite within five days as required by the contract. The two participants were referred three and fifteen days late, respectively.

RECOMMENDATION:

1. SBWIB management ensure subcontractors refer participants to worksites timely.

DPSS RESPONSE:

SBWIB indicated the five-workday requirement is generally not met due to some agencies requiring LiveScan for participants and the results not being returned within the specified time period, participants missing their scheduled appointments and most worksites wanting to interview participants prior to placement. However, SBWIB said they will make every effort to adhere to the five-workday requirement. DPSS will monitor SBWIB for compliance with this requirement. Additionally, DPSS is working with SBWIB to determine if there may be a more realistic timeframe for them to refer participants to worksites.

PERFORMANCE OUTCOMES

FINDINGS:

SBWIB met the 90% participant satisfaction rate. However, the Agency does not maintain documentation to support their Monthly Management Reports (MMRs). As a result, we could not verify the accuracy of the performance outcome data.

RECOMMENDATION:

2. SBWIB management maintain documentation to support their MMRs.

DPSS RESPONSE:

DPSS will request verification that SBWIB is maintaining documentation to support their MMRs.

CASH/REVENUE

FINDINGS:

SBWIB properly recorded revenue. However, at the time of our review, the Agency had not reconciled their bank account for two months and did not resolve outstanding checks timely. SBWIB's July 2009 bank reconciliation identified 158 checks, totaling \$43,871, that were outstanding for six months.

RECOMMENDATIONS:

SBWIB management:

3. Prepare bank account reconciliations within 30 days of the bank statement date.
4. Resolve outstanding checks timely.

DPSS RESPONSE:

DPSS will request verification that SBWIB prepares bank account reconciliations within 30 days of the bank statement date and resolves outstanding checks timely.

COST ALLOCATION PLAN

FINDINGS:

SBWIB's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency needs to improve their cost allocation procedures. Specifically, SBWIB:

- Inappropriately used the budgeted rate to allocate indirect costs (i.e., administrative staff, utilities, rent, etc.) totaling \$51,159 to the American Recovery and Reinvestment Act (ARRA)/Greater Avenues For Independence (GAIN) Vocational Intermediary and Direct Services (VIDS) Program for July through September 2009 rather than developing and using an allocation rate based on actual conditions (e.g., total direct costs) as required. SBWIB also used this method during FY 2008-2009 to allocate indirect costs totaling \$177,207 to the Program.
- Improperly allocated \$10,260 in rent costs from July through September 2009 to the administration and intermediary budget rather than allocating the costs between all three budgets.

Subsequent to our review, SBWIB indicated that using the budgeted rate to allocate indirect costs actually resulted in under billing DPSS because the Agency's actual indirect costs exceeded the budgeted amount.

RECOMMENDATIONS:

SBWIB management:

5. Reallocate the \$228,366 (\$51,159 + \$177,207) in indirect costs using an appropriate method and repay any over billed amount or provide documentation of the actual indirect costs.
6. Properly allocate rent costs between the three ARRA/GAIN VIDS Program budgets.

DPSS RESPONSE:

DPSS will review the documentation SBWIB provided to the A-C on June 29, 2010 to support that the \$228,366 in indirect costs was reallocated using an appropriate method. If not, DPSS will request SBWIB to repay any over billed amount or provide documentation of the actual indirect costs exceeding the \$228,366 amount. Additionally, DPSS will request verification that SBWIB properly allocates rent costs between the three ARRA/GAIN VIDS Program budgets and the improper allocation of \$10,260 for July 2009 through September 2009 was corrected as stated by SBWIB on the March 2010 reconciliation.

EXPENDITURES/PROCUREMENT

FINDINGS:

SBWIB overbilled DPSS \$2,894 for participant liability insurance due to a calculation error. Subsequent to our review, SBWIB repaid DPSS \$1,172.

RECOMMENDATION:

7. SBWIB management repay DPSS \$1,722 (\$2,894 – \$1,172).

DPSS RESPONSE:

DPSS will verify that SBWIB repaid to DPSS the outstanding \$1,722 by adjusting \$550 in the December 2009 Work Study invoice and the remaining balance of \$1,172 in the June 2010 Transitional Subsidized Employment (TSE) final reconciliation.

FIXED ASSETS AND EQUIPMENT

FINDINGS:

SBWIB needs to improve their fixed assets and equipment tracking procedures. Specifically, 11 items on the Agency's fixed assets and equipment list did not have a serial number or unique identifier to ensure each item is properly tracked.

RECOMMENDATION:

8. SBWIB management ensure all fixed assets and equipment have a serial number or unique identifier.

DPSS RESPONSE:

On June 29, 2010, SBWIB provided DPSS with an updated equipment inventory. DPSS will review and reconcile the list with DPSS' records and monitor that SBWIB continues to ensure that all fixed assets and equipment have a serial number or unique identifier.

CLOSE-OUT REVIEW

FINDINGS:

SBWIB's invoices generally reconciled to their financial accounting records. However, the Agency overbilled DPSS \$965 for utilities and telephone costs due to errors they made when calculating their costs on the final reconciliation.

RECOMMENDATIONS:

SBWIB management:

9. Repay DPSS \$965.
10. Ensure reconciliations are supported by the Agency's financial accounting records.

DPSS RESPONSE:

DPSS will verify whether or not SBWIB offset the \$965 for utilities and telephone costs from their June 2010 final reconciliation as SBWIB indicated in their June 28, 2010 response to the Audit Report. DPSS also will request verification from SBWIB that reconciliations are supported by SBWIB's financial accounting records.

ARRA REPORTING

FINDINGS:

During the ARRA reporting process, DPSS reported a total of \$35.5 million in ARRA expenditures, 6,424 participants enrolled, 3,433 jobs created and 6,122 total employed as of March 31, 2010 to the Chief Executive Office.

We confirmed that the total expenditures agreed with eCAPS. However, DPSS' records indicate the Program actually created 4,528 jobs. In addition, DPSS could only provide us with documentation from April 2010 indicating that 6,778 participants were enrolled and they could not provide us with documentation to support the total employed because the Department did not maintain the system data files used to compile the information reported.

RECOMMENDATION:

11. DPSS management ensure the information reported during the ARRA reporting process is accurate and maintain the supporting documentation.

DPSS RESPONSE:

The Department has made modifications to the manner in which it maintains ARRA-related data. DPSS maintains biweekly files of program enrollees and placements and, on a quarterly basis to coincide with ARRA reporting, the Department obtains and maintains a payroll file to capture full-time equivalents as required.